

**STATE OF NEW HAMPSHIRE  
BUREAU OF SECURITIES REGULATION  
DEPARTMENT OF STATE  
CONCORD, NEW HAMPSHIRE**

IN THE MATTER OF: )

CCO Investment Services Corp. )  
Respondent )

INV05-016

**CONSENT AGREEMENT**

- I. For purposes of settling the above-referenced matter and in lieu of further administrative proceedings, CCO Investment Services Corp., (hereinafter referred to as "CCO"), has submitted an offer of settlement, which the Bureau of Securities Regulation, Department of State, State of New Hampshire (hereinafter referred to as "the Bureau") has determined to accept. Accordingly, the Respondent does hereby consent to, without admitting or denying any allegations herein, the following actions:

**Allegations of Fact**

1. CCO, is a broker-dealer firm with an address on record of 53 State Street, 7<sup>th</sup> Floor, Boston, MA 02109. CCO has been licensed as a broker-dealer firm in the State of New Hampshire since 5/9/96. CCO is engaged in the business of buying and selling securities for the accounts of others. CCO is registered with the Securities and Exchange Commission ("SEC"), is a member of the National Association of Securities Dealers ("NASD"), and many of its broker-dealer registration records are kept on the NASD's Central Registry Depository system ("CRD"). CCO's CRD number is 39550 and SEC number is 8-48744.
2. From January 1, 2003 through December 31, 2004 ("Relevant Time Period"), CCO's Compliance Department failed to adequately monitor for potential sales abuses and suitability issues with respect to variable annuity sales to customers age 75 years and over, some of which liquidated, transferred, or exchanged a security to purchase a variable annuity. Further, CCO during this same time period, failed to adequately retain e-mail communications as is required by broker-dealer rules and regulations.

3. As a result of certain related regulatory actions commenced in 2005 by other jurisdictions, CCO underwent and completed significant compliance change undertakings to address these issues which further promote the interests of its customers, and voluntarily offered rescission of the variable annuity purchases to all New Hampshire customers age 75 years or older who purchased an annuity during the Relevant Time Period.

### **The Law**

1. CCO is a broker-dealer within the meaning of RSA 421-B:2,III, and operating within the jurisdiction of the State of New Hampshire.
2. Pursuant to RSA 421-B:8,X, persons licensed under RSA 421-B to conduct securities business shall abide by the rules of the Securities and Exchange Commission, National Association of Securities Dealers ("NASD"), national and regional stock exchanges, and other self-regulating organizations which have jurisdiction over the licensee, which set forth standards of conduct in the securities industry. CCO is subject to this section which requires that securities trades are suitable for the customer, that agent trading be adequately supervised, and that the broker-dealer adequately preserve records pursuant to SEC Rules 17a-3 and 17a-4. NASD Conduct Rule 2310 provides that: In recommending to a customer the purchase, sale or exchange of any security, a member shall have reasonable grounds for believing that the recommendation is suitable for such customer.
3. Pursuant to RSA 421-B:8,XII(b)(1), every licensed broker-dealer shall make, maintain and preserve books and records in compliance with SEC Rules 17a-3 and 17a-4.
4. RSA 421-B:10,I(a) and (b)(2) allows the secretary of state to deny, suspend, or revoke any license or application if he finds that it is in the public interest and that the applicant or licensee has violated any provision of RSA 421-B, or the Securities Act of 1933, the Securities Exchange Act of 1934, or any rule under any of such statutes.
5. Pursuant to RSA 421-B:26,III, any person who, either knowingly or negligently, violates any provisions of this chapter may, upon hearing, and in addition to any other penalty provided for by law, be subject to such suspension, revocation or denial of any registration or license, or an administrative fine not to exceed \$2,500, or both. Each of the acts specified shall constitute a separate violation.
6. Pursuant to RSA 421-B:26,III-a, every person who directly or indirectly controls a person liable under paragraph III, every principal executive officer, or director of such person, every person occupying a similar status or performing a similar function, every employee of such person who materially aids in the act or transaction constituting the violation, and every broker-dealer or agent who materially aids in the acts or transactions constituting the violation either

knowingly or negligently, may, upon hearing, and in addition to any other penalty provided by law, be subject to such suspension, revocation, or denial of any registration or license, or administrative fine not to exceed \$2,500, or both. Each of the acts specified shall constitute a separate violation.

- II. In view of the foregoing, the Respondent agrees to the following undertaking and actions:
1. Respondent agrees that that they have voluntarily consented to the entry of this Agreement and represent and aver that no employee or representative of the Bureau has made any promise, representation or threat to induce their execution.
  2. Respondent agrees to waive their right to an administrative hearing and any appeal therein under this chapter.
  3. Upon execution of this Consent Agreement, Respondent agrees to pay an administrative penalty in the amount of Three Hundred and Seventy-Five Thousand Dollars (\$375,000). Payment shall be made by 1) United States postal money order, certified check, bank cashier's check, or bank money order; 2) made payable to the State of New Hampshire; and 3) hand-delivered or mailed to the Bureau of Securities Regulation, Department of State, State House, Room 204, Concord, New Hampshire, 03301, no later than July 15, 2007.
  4. Respondent agrees that within 30 days of the one year anniversary of the execution of this Consent Agreement it will certify to the Bureau that it has completed its annual internal compliance audits of all CCO New Hampshire branch offices, and will provide copies of those audits to the Bureau and certify that they are complete. Said internal compliance audits shall also include a review of sales practices at each N.H location and verification that CCO's recently adopted policies and procedures relative to variable annuity sales have been implemented, with particular focus on



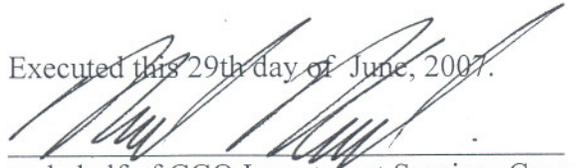
the following: (a) verification of adequate suitability screening prior to a variable annuity transaction being effectuated (b) verbal and written disclosures of all fees and costs associated with and applicable to variable annuities (c) observance of written suitability guidelines and screening for questionable sales of variable annuities, and (d) verification of on-going training of agent representatives on annuity products.

5. Respondent agrees that this consent is entered into for purpose of resolving only the matter as described herein. This Agreement shall have no collateral estoppel, res judicata, evidentiary, or other legal effect in any other lawsuit, proceeding, or action, not described herein. Likewise, this Agreement shall not be construed to restrict the Bureau's right to initiate an administrative investigation or proceeding relative to conduct by Respondent of which the Bureau has no knowledge at the time of the date of final entry of this Agreement.
6. The Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation in this Consent Agreement or create the impression that the Consent Agreement is without factual basis. Nothing in this provision affects the Respondent's testimonial obligations or right to take legal positions in litigation in which the State of New Hampshire is not a party.
7. The Respondent shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to any payment made pursuant to any insurance policy, with regard to all amounts that Respondent shall pay pursuant to the Bureau's Consent Agreement. Respondent further shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any amounts that Respondent shall pay pursuant to the Bureau's Consent Agreement.

III. Based on the foregoing, the Bureau deems it appropriate and in the public interest to accept and enter into this Agreement. **THEREFORE, IT IS HEREBY ORDERED THAT:**

1. Respondent pay a fine in the amount of Three Hundred and Seventy Five Thousand Dollars (\$375,000).
2. Respondent comply with all of the above-referenced undertakings.

Executed this 29th day of June, 2007.



on behalf of CCO Investment Services Corp.

Please print name below:

Michael Millard, President and CEO

Entered this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
Mark Connolly, Director  
N.H. Bureau of Securities Regulation  
By his designee:  
Jeffrey Spill  
Deputy Director